BC Pacific Capital Corporation

2000 Annual Report

CONTENTS

B.C. PACIFIC CAPITAL CORPORATION is a British Columbia based financial and investment corporation providing management services to corporations encountering financial difficulties, requiring merger and acquisition advice or operational evaluation. B.C. Pacific also uses its own capital to invest in undervalued companies, primarily in the natural resource, real estate and financial service area where management initiatives can enhance longer term prospects.

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders of B.C. Pacific Capital Corporation will be held at Suite 1500, The Grosvenor Building, 1040 West Georgia Street, Vancouver, B.C. on June 22, 2001 at 10:00 a.m.

Message to Shareholders

Financial Results

B.C. Pacific recorded a net loss for the year of $106,000, compared to net income of $27.5 million in the prior year. After providing for dividends on the Corporation's Preferred Shares, earnings (loss) per Class A subordinate voting share and class B common share were ($0.03) compared with $0.08 in 1999.

The financial impact of two strategic initiatives completed in the last year were the underlying reasons for the significant reduction in earnings in 2000.

Firstly, in December 1999, B.C. Pacific completed a financial restructuring and recapitalization which considerably reduced the Corporation's common shareholder deficit. This restructuring included the repurchase of the Series 1 and Series 3 preferred shares at a discount. In addition, accrued dividends payable on the Series 3 preferred shares were included in the repurchase amount and other provisions and reserves were reversed. These transactions resulted in a one-time gain of $16.3 million which was included in our results for 1999.

Secondly, in the first quarter of 2000, B.C. Pacific completed the acquisition of Westfield Minerals Limited. Westfield held a portfolio of common shares of publicly traded natural resource companies and a 27.8% interest in Northgate Exploration Limited. Northgate recorded a consolidated net loss of $30.1 million in 2000. As a result, B.C. Pacific's equity accounted loss on its investment in Northgate was $6.9 million for the period. The loss reduced the book value of our investment in Northgate to a nominal $1,000.

Financial Advisory and Management Services

During 2000, B.C. Pacific maintained a focus on providing financial advisory services to our clients, in addition to capital, primarily in the areas of acquisitions, restructurings and business dispositions. During the year, B.C. Pacific was retained to provide advisory services to several clients, one involving the operation of special use real estate and the other in the mining sector. B.C. Pacific's industry specialization and focus on personal service were important strengths in securing these assignments.

B.C. Pacific will participate in this competitive sector by adopting a value-added approach, focusing on those industries where B.C. Pacific has access to specialized expertise, building long-term client relationships and being sensitive to clients' needs.

Investment Activities

B.C. Pacific invests in securities of a number of public and private corporations. Our objective is to earn an acceptable rate of return from dividends and capital appreciation without exposure to unreasonable risk. These investment activities were supported by ongoing research to determine the underlying values for each of the companies selected which comprise core investment positions.

B.C. Pacific's investment portfolio has been weighted to natural resources, financial services and real estate companies. A number of our holdings were sold over the last several years as share prices had reached levels where underlying values were fully reflected and gains realized.

Recently, with the slowdown in the economy, several new positions were acquired in the natural resource sectors which met our investment criteria. These included the holdings acquired as a result of our acquisition of Westfield.

Merchant Banking

During the year, B.C. Pacific reviewed a number of opportunities to provide shorter term merchant banking loans, primarily to assist clients in completing an asset or corporate transaction. Late in the year, B.C. Pacific, in partnership with HSBC Capital, agreed to provide a $52 million bridge facility to a western-based forest products company to complete the construction of a new solid wood manufacturing facility in Alberta.

While the economic climate in British Columbia has deteriorated for a number of years and commodity prices have declined, we believe the economic outlook will improve over the next two years. This will provide B.C. Pacific with an attractive environment in which to pursue additional merchant banking activities. However, B.C. Pacific will continue to stress its commitment to developing longer term relationships with a limited number of qualified clients during this period.

Corporate Investments

During 1999, B.C. Pacific granted an option to sell a large piece of commercial land in central Toronto in return for the developer's commitment to provide services relating to the re-development of the site to a higher mixed-use residential and commercial property. This option was exercised during the year and the land was sold for the option price which resulted in a satisfactory gain and provided B.C. Pacific with liquidity to pursue additional merchant banking opportunities.

As a result of B.C. Pacific's acquisition of Westfield Minerals Limited in early 2000, the Corporation acquired a 27.8% interest in Northgate Exploration Limited which was repositioning itself as a mid-tier gold mining company with investments in North and South America. Northgate's premier asset, the Kemess Mine, will produce an average of 260,000 ounces of gold and 74 millions lbs. of copper annually over its mine life. In addition, further potential exists to add further reserves and extend the production.

While we were disappointed with Northgate's financial results for the year as they do not reflect the significant value that has been created from the turnaround that has been accomplished at the Kemess Mine. Significant operational improvements were achieved in all areas at the mine and ore processing mill. In addition, the economic potential of the Kemess North deposit continued to be evaluated and four times the mineral inventory that was previously identified was added during the course of the year. While a great deal was accomplished at the mine site, Northgate did not complete the refinancing of the acquisition debt as had been hoped. This delay in refinancing, together with low commodity prices experienced during the year and the time it took to improve operations at the mine, resulted in Northgate reporting a consolidated loss of $30.5 million.

Northgate's future remains promising as many additional opportunities to create additional value have been identified and a number of new initiatives are already being pursued to further reduce operating costs, decrease future capital expenditure requirements and expand the life of the mine through future exploration on the Kemess property. In addition, Northgate is looking at other mining investment opportunities.

Outlook

With the strategic initiatives completed in the last year and new merchant banking opportunities completed or under review, we believe B.C. Pacific is well positioned to achieve profitable growth over the next several years. In addition, we will continue to expand our merchant banking opportunities, primarily focussing on providing short-term mezzanine bridge loans and to search for profitable asset workout and financial restructuring opportunities.

On behalf of the Board of Directors.

Brian G. Kenning
Managing Partner and Chairman
May 8th, 2001

Terry A. Lyons
Managing Partner and President

Business Activities

B.C. Pacific has substantial financial resources to assist its clients in executing their strategic initiatives. In its merchant banking activities, B.C. Pacific provides financing to facilitate the completion of acquisitions or the refinancing of existing obligations.

B.C. Pacific takes a partnership approach in setting the terms of financings, Typically, B.C. Pacific will minimize its up-front fees and earn a significant portion of its rewards by way of a participation in the successful outcome of the client's initiatives. This ensures that B.C. Pacific's interests are aligned with those of its clients.

Acquisition Bridge Financings

Successful acquisitions often require the ability to react quickly and to demonstrate the commitment of the necessary financing. Traditional lenders may be unable to provide such a commitment on short notice due to structuring issues or perceived risks. Furthermore, the capital markets may not be available until such time as the market can digest the potential impact of the acquisition.

B.C. Pacific's merchant banking group is well positioned to bridge such short-term financing needs. With a significant capital base, a supportive major shareholder, extensive knowledge of the capital markets and an experienced management team. B.C. Pacific has the ability to assist its clients in financing both large and small acquisitions. Furthermore, B.C. Pacific's focus on specific industries and a select number of clients ensures prompt and efficient execution.

Clients value B.C. Pacific's ability to respond promptly in providing them with the short-term financing to complete an acquisition. This enables clients to focus on the immediate needs of the acquisition and provides time to prepare the information and material necessary to arrange lower-cost, long-term permanent financing.

The financings provided by B.C. Pacific typically take the form of senior secured loans in amounts between \$5 million and \$100 million. B.C. Pacific has the capability of financing much larger transactions on a syndicated basis through its shareholder affiliations and its network of institutional relationships.

The time period for which capital is committed varies according to the nature of each transaction. However, B.C. Pacific prefers to commit its capital for terms of less than one year. Institutional partners are invited to provide longer-term financing, if necessary.

B.C. Pacific takes a conservative approach to lending when it comes to transaction values. The funds provided are normally protected by the underlying security of the assets or through additional security and guarantees provided by its clients. This enables B.C. Pacific to reduce its risk as well as the cost of capital provided to its clients.

Refinancing Activities

B.C. Pacific provides advice and capital to corporations repositioning their assets to improve profitability and enhance shareholder values, or to complete a financial restructuring where the amount or nature of their debt is large in relation to their equity or current earnings base.

Occasionally companies reach a point where their existing financing arrangements prevent them from being able to implement their business plans. This may be due to the maturing of existing credit facilities at a time when market conditions are unfavourable, or because unexpected events have temporarily impaired a company's ability to maintain or attract financing.

B.C. Pacific assists clients who have sound long-term business plans to overcome short-term financing constraints. B.C. Pacific provides the necessary financial and management support to bridge the company's immediate needs in order to protect the long-term enterprise value. B.C. Pacific's patient approach to corporate restructurings enables a broad range of alternatives to be explored in finding the correct solution.

B.C. Pacific's management team has extensive experience in developing and executing corporate restructurings and refinancings. B.C. Pacific's senior executives bring a broad range of practical experience to restructuring assignments,

having participated in many major acquisitions and divestitures and managed a number of large corporate reorganizations. These assignments can involve developing business and financing plans, preparing information books for specific purposes and monitoring a company's affairs on an ongoing basis on behalf of lenders or equity investors. In doing this, B.C. Pacific works closely with management, shareholders and lenders. During a workout assignment, B.C. Pacific ensures that all parties are fully informed, that relative exposures are recognized, and that sufficient time and support are committed to implement the refinancing or restructuring program.

B.C. Pacific's merchant banking operations are focused on providing short-term bridge loans to facilitate transactions for clients primarily within the natural resource and real estate sectors. The Corporation has elected to focus its efforts in these sectors as its level of knowledge and ability to execute complex transactions allows the Corporation to better understand its clients' needs and is comfortable taking a partnership approach in its business dealings.

Merger and Acquisition Services

B.C. Pacific provides advice to its clients on their strategic initiatives including acquisitions and divestitures, merger activities and takeover and defence strategies. Our staff has extensive hands-on experience in each of these areas and is committed to working closely with our clients to help ensure the success of their initiatives.

B.C. Pacific will assist in developing the appropriate strategy, identifying and accessing buyers and sellers worldwide and preparing the necessary information documents. We will also help assess appropriate values, develop innovative solutions and effectively manage the detailed legal, tax and financial considerations. Most importantly, we will help to manage the process and negotiate the best possible price. We will also provide the discipline and necessary resources to ensure that the transaction proceeds swiftly and smoothly.

Financial Analysis and Review

During the last five years, B.C. Pacific Capital Corporation ("B.C. Pacific") has been conducting merchant banking and investment activities, primarily in Western Canada with corporate and individual clients and affiliates. In the first quarter of 2000, B.C. Pacific acquired 100% of Westfield Minerals Limited, undertook several advisory assignments and continued its merchant banking activities with particular emphasis on providing acquisition bridge financing.

BALANCE SHEET ANALYSIS

In 2000, B.C. Pacific's total assets increased 1.3% to $152.8 million from $150.8 million, as outlined below.

$ Millions	**2000**	1999	% Change
Cash and financial assets	**152.7**	99.3	52
Corporate and real estate investments	**0.1**	51.5	(99)
	152.8	150.8	1.3
Secured debt and other payables	**81.1**	74.9	8
Shareholders' Equity	**71.7**	75.9	(6)
Total Liabilities and Shareholders' Equity	**152.8**	150.8	1.3

In November 1999, B.C. Pacific's shareholders approved a capital reorganization which became effective December 31,1999. The principal elements of the reorganization were as follows:

- BC Pacific purchased all 3,000,000 Class AAA Preferred Shares, Series 1 ("Series 1 Preferred Shares") for $57,000,000 ($19.00 per share).
- Dividends payable on Class AAA Preferred Shares, Series 2 ("Series 2 Preferred Shares") were reduced from 8 percent to 75 percent of the prime rate of interest on their $25.00 par value.
- BC Pacific purchased all Series 2 Shares held by persons other than Trilon Financial Corporation and its affiliates for their par value of $25 per share plus accrued and unpaid dividends.
- BC Pacific purchased all 3,000,000 Class AAA Preferred Shares, Series 3, plus accrued but unpaid dividends ("Series 3 Preferred Shares") for $65,000,000 ($21.66 per share).
- A $75 million line of credit was established with Trilon Financial Corporation to enable B.C. Pacific to continue to undertake a variety of market banking transactions.

Marketable Securities and Advances

B.C. Pacific's investment portfolio is weighted to natural resources, financial services and real estate companies. Earnings in these investments are cyclical and tied to underlying commodity prices and interest rates. Accordingly, their share prices will experience market price fluctuations.

During the year, a portfolio of securities was acquired as a result of the acquisition of Westfield Minerals and two corporate investments were sold. The net result of these transactions was that deposits increased by $35 million.

$ Millions	**2000**	1999
Deposits	**55.4**	20.3
Preferred Share Investments	**30.2**	60.1
Common Share Investments	**37.7**	5.7
	123.3	85.7

Corporate Investments

Corporate investments declined to a nominal value of one thousand dollars compared to $51.7 million for the prior year.

The Corporation sold its interest in a parcel of commercial property in downtown Toronto during the year and recorded a gain on disposition. The Corporation also completed the wind-up of the MGS Partnership during the year, recording a final gain on the completion of that transaction.

$ Millions	**2000**	1999
Northgate Exploration Limited	**0.1**	–
Real estate holdings	**–**	29.2
MGS Partnership	**–**	22.3
	0.1	51.5

During the year, B.C. Pacific acquired Westfield Minerals Ltd. which comprised a portfolio of marketable securities and 27.8% interest in Northgate Exploration Limited. Westfield held its share of Northgate as a corporate investment. Northgate reported a $30.5 million loss for the year, which, on an equity accounting basis, reduced the carrying value of Westfield's investment to a nominal amount.

INCOME STATEMENT ANALYSIS

Revenues resulting from dividends, capital gains, interest income and management fees decreased to $15.2 million in 2000 compared to $17.9 million in 1999. Interest income declined as higher yielding loans receivable were repaid early in the year and capital gains associated with the sales of securities were significantly lower in 2000 than in 1999. 1999 also included a one-time gain on the financial reorganization of the Corporation.

Expenses

Interest expense increased from $4.6 million in 1999 to $5.6 million in 2000 as a result of an increase in the secured debt loan balances and an increase on interest paid on the loan. Administrative expenses increased during the year, primarily as a result of the costs incurred by B.C. Pacific to complete the capital reorganization, and the purchase of Westfield Minerals, which closed early in the year.

Net Income

The Corporation reported a consolidated net loss of $106,000 for the year compared to consolidated net income of $27.5 million in 1999. Included in the net income for 1999 was a reversal of reserves of $16.3 million. At year-end, after giving effect to the reorganization, the Corporation has issued $75 million of Series 2 Participating Preferred Shares which, in addition to a cumulative dividend based on 75% of the Prime rate of interest, are entitled to participate with the Class A and Class B common shares in any common share dividend declared in any year after the Class A and Class B shares receive dividends equal to 4¢ per share. Any additional dividends if paid, in any year, will be paid on the Series 2 participating preferred shares at a rate of 50 times the amount paid per Class A and Class B common share.

As the reorganization was effective December 31, 1999, all classes of preferred shares were outstanding for the full year in 1999. Dividends were paid in 1999 on the basis of 8% on the Class AAA, Series 1 and Series 2 Participating Preferred Shares, and one half of the bank rate, plus 1% on the Class AAA, Series 3 Preferred Shares. In 2000, dividends were paid on the Series 2 Preferred Shares at the rate of 75% of Bank prime.

Net income available to the Class A and Class B common shares after dividends were paid on the participating preferred shares was a net loss of $4.1 million in 2000 compared to net earnings of $1.1 million in 1999. Fully diluted

earnings (loss) per Class A subordinated voting share and Class B common share were ($0.03) compared with $0.08 in the prior year. In 2000, there were no earnings attributable to the Series 2 participating preferred shares which participate on a 50 to 1 basis.

Liquidity and Capital Resources

Cash flow from operations decreased to $7.6 million from $14.6 million in 1999. At December 31, 2000, the Corporation had $123 million of shorter term assets available to repay demand indebtedness of $80.2 million. The Corporation's deficit, net of contributed surplus, at the end of the year was decreased to $4.1 million from $11.2 million in 1999. The Corporation's operating cash requirements are limited to the payment of interest on loans payable and dividends on the Corporation's preferred share capital. At December 31, 2000, the Corporation had a secured demand facility of $80.2 million outstanding. The Corporation's operating cash requirements can be met from dividends and interest earned on the Corporation's investments. The Corporation also continues to maintain a $75 million operating line of credit, which is satisfactory to meet its investment requirements.

Operating Environment

B.C. Pacific's businesses face a number of risks and uncertainties, which arise from regulation, competition and economic trends and events beyond their control. In addition, there are a number of internal issues which will affect their future success. The principal risk factors are discussed below.

Competition

B.C. Pacific faces strong competition in virtually all its activities. Federal legislation over the last few years has endeavoured to further intensify competition in the financial services industry. Several new unregulated participants have emerged in selected market segments. Some of these are large corporations operating internationally while others are niche operations, meeting a particular market need and providing a measure of independence from the major bank-owned financial service providers.

Technology

Computer and communications technologies are subject to revolutionary change as are the applications and costs of these technologies. Such changes may alter the methods of conducting financial services businesses in the future in ways to be determined. B.C. Pacific's operations place a high priority on emerging technological advances in order to sustain their competitive positions in their markets.

Economic Environment

The strong global economic performance over the last several years has provided opportunities for growth in all business areas. The present economic outlook is less positive. However, B.C. Pacific believes that this environment will provide opportunities particularly in its financial advisory and merchant banking operations. With its present strong financial position, B.C. Pacific is well positioned to pursue and take advantage of new opportunities.

Currency and Interest Rate Risk

B.C. Pacific endeavours to maintain a matched book of currency sensitive assets and liabilities. Unmatched positions are carried for trading purposes from time to time within exposure limits determined by the Board of Directors. These exposures are not material in relation to B.C. Pacific's overall business operations.

The majority of B.C. Pacific's assets are short-term and carry floating interest rates or reprice within two years. In order to partially mitigate the resultant interest rate exposure, the Corporation has issued floating rate preferred shares. At December 31, 2000, the Corporation maintained a net floating rate asset position.

Credit Risk

A significant portion of the Corporation's assets involve an assessment of credit risk and B.C. Pacific has established policies and procedures in order to minimize this risk. B.C. Pacific believes that its exposure is further limited by the manner in which transactions are structured and in the selection of its clients. B.C. Pacific believes that it has established adequate provisions for loan losses based on current circumstances.

Business Environment and Outlook

B.C. Pacific enters 2001 with a strong asset base and significant liquidity partly as a result of the sale of selective investments that reached full value during the last several years. B.C. Pacific continues to pursue new merchant banking initiatives with specific emphasis on responding to clients requirements' for short-term bridge acquisition financing and examining several private asset workout opportunities in the oil and gas and mining sectors. The Corporation will, as in past years, continue to take a cautious approach to new initiatives and selectively allocate its capital and concentrate on those areas where its management expertise can be best applied.

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of B.C. Pacific Capital Corporation as at December 31, 2000 and 1999 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied on a consistent basis except for the change in the method of accounting for income taxes as explained in note 2(g) to the consolidated financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants

Vancouver, Canada
April 6, 2001

Management's Reponsibility for Financial Statements

The accompanying consolidated financial statements and other financial information have been prepared by the management of the Corporation who are responsible for the integrity and objectivity of the statements. To fulfil this responsibility, the corporation maintains appropriate systems of internal control to ensure that its costs, reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable assurance that relevant and reliable financial information is produced. These statements have been prepared in conformity with generally accepted accounting principles and, where appropriate, reflect estimates based on management's judgement. The financial information presented throughout this annual report is consistent with the information contained in the corporation's consolidated financial statements.

The consolidated financial statements have been further examined by the board of directors and by its audit committee which meets with the auditors and management on a regular basis to review the activities of each. The audit committee reports to the board of directors and is comprised of three directors who are not officers of the Company.

Brian G. Kenning
Managing Partner & Chairman

Consolidated Balance Sheets

December 31, 2000 and 1999 *(Expressed in thousands of dollars)*	**2000**	1999
Assets		
Cash and cash equivalents	**$ 10,931**	$ 1,229
Marketable securities and advances	**123,267**	85,730
Loans receivable	**18,603**	12,352
Corporate investments (note 4)	**1**	51,474
	$ 152,802	$ 150,785
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	**$ 911**	$ 383
Secured debt (note 5)	**80,214**	74,564
Shareholders' equity:		
Share capital (note 6)	**75,838**	87,088
Deficit	**(4,161)**	(39,250)
Contributed surplus (note 6(b))	**–**	28,000
	71,677	75,838
	$ 152,802	$ 150,785

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director Director

Consolidated Statements of Operations and Deficit

Years ended December 31, 2000 and 1999 *(Expressed in thousands of dollars)*	**2000**	1999
Revenues	**$ 15,239**	$ 17,962
Expenses:		
Interest	**5,650**	4,653
General and administrative	**2,101**	1,684
Taxes	**695**	450
	8,446	6,787
	6,793	11,175
Loss from equity accounted investment	**(6,899)**	–
Unusual item (note 6(c))	**–**	16,307
Net income (loss)	**(106)**	27,482
Deficit, beginning of year	**(39,250)**	(83,306)
Waiver of accrued but unpaid dividends (note 6(c))	**–**	30,226
Elimination of deficit by reduction of capital (note 6(b))	**39,250**	–
Preferred share dividends	**(4,055)**	(13,652)
Deficit, end of year	**$ (4,161)**	$ (39,250)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended December 31, 2000 and 1999 *(Expressed in thousands of dollars)*	**2000**	1999
Cash provided by (used for) operations:		
Net income (loss)	**$ (106)**	$ 27,482
Adjustments to reconcile net income for the year to net cash flow provided by (used for) operations:		
Capital (gain) loss on sale of corporate investments	**(4,817)**	182
Unusual item (note 6(c))	**–**	(16,307)
Accrued interest on secured debt	**5,650**	4,653
Loss from equity accounted investment	**6,899**	(1,414)
	7,626	14,596
Net change in non-cash operating working capital	**(14,658)**	84,223
Cash flows provided by operating activities	**(7,032)**	98,819
Investing activities:		
Acquisition of Westfield Minerals Limited, net of cash acquired (note 3)	**(29,251)**	–
Advances made on loans receivable	**(6,251)**	–
Payments received on loans receivable	**–**	34,258
Proceeds on sale of corporate investments	**56,291**	–
Cash flows provided by investing activities	**20,789**	34,258
Financing activities:		
Redemption of preferred shares (note 6)	**–**	(122,455)
Preferred share dividends	**(4,055)**	(10,464)
Cash flows used in financing activities	**(4,055)**	(132,919)
Increase in cash and cash equivalents	**9,702**	158
Cash and cash equivalents, beginning of year	**1,229**	1,071
Cash and cash equivalents, end of year	**$ 10,931**	$ 1,229
Supplementary cash flow information:		
Interest paid	**$ 231**	$ 291
Dividends received	**4807**	5,603

See accompanying notes to consolidated financial statements.

Years ended December 31, 2000 and 1999
(In thousands of dollars, except for per share information)

1. BASIS OF PRESENTATION:

The Company is a merchant banking and investment corporation which provides transaction oriented bridge loans and management services to corporations encountering financial difficulties or requiring operational evaluations.

On December 31, 1999, the Company restructured its capital, whereby dividends previously payable were waived, and eliminated provisions that were no longer required. The effect of the transactions is disclosed in note 6 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Company are summarized below:

(a) Principles of consolidation:

The Company's consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated.

(b) Cash equivalents:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of three months or less at acquisition, that are readily convertible to contracted amounts of cash.

(c) Marketable securities:

Marketable securities are carried at the lower of original cost and net realizable value.

(d) Corporate investments:

The Company accounts for investments in which it is able to exercise significant influence in accordance with the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses, less dividends.

Investments in which the Company does not have the ability to exert significant influence are carried at cost, less a provision for any decline in value that is other than temporary.

(e) Revenues:

Revenues include dividends, interest, fees, and income or losses on merchant banking transactions that are substantially complete and collection is assured.

(f) Foreign currency:

Balances denominated in foreign currencies are translated into Canadian dollars as follows:

(i) Revenue and expenses at the average exchange rate during the period;
(ii) Monetary items at the rate of exchange prevailing at the balance sheet date; and
(iii) Non-monetary items translated at rates of exchange in effect when the assets were acquired or obligations incurred.

Exchange gains or losses arising on these translations are included in earnings, except for unrealized gains or losses arising from the translation of long-term monetary items which are deferred and amortized on a straight-line basis over the remaining life of the related items.

(g) Future income taxes:

During fiscal 2000, the Company adopted the provisions of Section 3465 of the CICA Handbook, Income Taxes ("Section 3465") which requires a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes.

Under the asset and liability method of Section 3465, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

The Company has calculated the effect of adopting the provisions of Section 3465 retroactively to January 1, 2000. There was no cumulative effect and no effect on earnings for the year ended December 31, 2000 and 1999 based on this change in accounting for income taxes.

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. ACQUISITION OF WESTFIELD MINERALS LIMITED:

Effective February 28, 2000, the Company purchased all of the outstanding common shares of Westfield Mineral Limited ("Westfield"), a related party, at a total cost of approximately $35,502. Westfield was 62% owned by Consolidated Canadian Express Limited, a public company whose major shareholder is also the major shareholder of the Company.
A summary of the net assets acquired at assigned values is as follows:

Cash and cash equivalents	$ 6,251
Net non-cash working capital	22,351
Investment in Northgate Exploration Limited (note 4)	6,900
Purchase price, paid in cash	$ 35,502

Subsequent to the acquisition, Westfield was then amalgamated with 3358411 Canada Inc. which is a wholly-owned subsidiary of the Company.

4. CORPORATE INVESTMENTS:

	2000	1999
MGS Partnership	**$ -**	$ 22,340
100 Bloor Street	**-**	29,134
Northgate Exploration Limited, accounted for using the equity method	**1**	–
	$ 1	$ 51,474

The corporate investment in Northgate Exploration Limited represents a 27.8% interest in the issued and outstanding common shares of Northgate Exploration Limited.

5. SECURED DEBT:

The secured debt is due to a related party (note 8) and is secured by fixed and floating charges over all of the Company's assets. The average effective interest rate at December 31, 2000 was 7.2% (1999 - 6.4%).

6. SHARE CAPITAL:

(a) Authorized:

20,000,000 Class A Preferred shares
20,000,000 Class AA Preferred shares
20,000,000 Class AAA Preferred shares
200,000,000 Class A Subordinate Voting shares without par value
100,000,000 Class B Common shares without par value

(b) Capital reorganization:

During 2000, by approval of the shareholders and an amendment to the articles of incorporation, the Company's accumulated deficit as of December 31, 1999 was eliminated by the elimination of contributed surplus and the reduction of share capital. The reduction of share capital consisted of a reduction of the paid-up capital of the Class A Subordinate Voting shares and Class B Common shares by $10,206 and $1,044 respectively.

(c) Issued and outstanding:

	2000	1999
2,981,876 Class AAA cumulative, participating Preferred shares,		
Series II, bearing a fixed dividend of 75% of prime bank rate	**$ 74,538**	$ 74,538
11,684,009 Class A Subordinate Voting shares	**1,179**	11,385
1,895,758 Class B Common shares	**121**	1,165
	$ 75,858	$ 87,088

At December 31, 1999 the Company restructured its capital and purchased from related parties 3,000,000 Class AAA Preferred shares, Series I, and 3,000,000 Class AAA Preferred shares, Series III, for aggregate proceeds of $122,000 (without payment of accrued and unpaid dividends).

In addition, at December 31, 1999, the Company amended the rate of dividends payable on Class AAA Preferred shares, Series II, from 8% per share to 75% of the prime rate of interest on their par value, and purchased 18,124 of the outstanding Class AAA Preferred shares, Series II, at par for $462.

Unpaid dividends of $30,226 on the Class AAA Preferred shares, Series III, as at December 31, 1999 which were waived as part of the restructuring, have been recorded as a contribution to retained earnings.

The difference between the cost of purchasing the Series I and III Class AAA Preferred shares at par value amounting to $28,000 was reflected as contributed surplus in shareholders' equity.

Further, as part of the restructuring, provisions of $16,307 previously recorded were determined to no longer be required and were reversed and recorded as income during fiscal 1999.

7. INCOME TAXES:

(a) Current income taxes:

Income tax expense differs from the amount which would result from applying the statutory Canadian income tax rate for the following reasons:

	2000	1999
Income (loss) before taxes	**$ (106)**	$ 27,482
Tax based on statutory income tax rate	**$ (46)**	$ (12,257)
Tax benefit related to equity accounted investment	**2,794**	–
Other	**384**	–
Tax losses not previously recognized	**–**	12,257
Utilization of deductions not reflected in the accounts	**(3,132)**	–
	$ Nil	$ Nil

(b) Future income taxes:

The tax effect of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2000 are presented below:

Future tax asset:	
Non-capital loss carry forwards	$ 1,022
Other	811
Total gross future tax assets	1,833
Less valuation allowance	(638)
Net future tax assets	1,195
Future tax liabilities:	
Other	1,195
Net future tax liabilities	$ –

(c) At December 31, 2000, the Company has approximately $2,344 of non-capital losses, $1,860 of tax pools and $169,000 of capital losses available to reduce future years' income for income tax purposes in Canada, the effect of $75,344 of which has not been recorded in the accounts of the Company.

8. RELATED PARTY TRANSACTIONS:

In the ordinary course of business, the Company carries on certain transactions with its affiliates which are conducted on normal business terms. Marketable securities and advances comprise securities in and advances to affiliates. Loans receivable include $582 (1999–$571) of loans to executives of the Company. Interest expense on the secured debt due to Brascan Corporation, an affiliate, was $5,650 (1999–$4,653). Revenues include $7,033 (1999–$7,099) received from affiliates.

9. NET INCOME PER CLASS A AND CLASS B COMMON SHARE:

Net income per Class A and Class B common share is calculated using the weighted average number of Class A and Class B common and participating preferred shares outstanding and after the payment of a regular dividend of 8% on the Class AAA Series I, 8% to December 31, 1999 and 75% of prime thereafter on the Class AAA Series II participating preferred shares and one-half of the bank prime rate plus 1% on the Class AAA Series III preferred shares.

The Class AAA participating preferred shares Series I are entitled to receive cumulative preferential cash dividends of 8% per annum, Class AAA participating preferred shares Series II are entitled to receive cumulative preferential cash dividends of 8% to December 31, 1999 and 75% of prime thereafter; and both will participate with the Class A and Class B common shares in any common share dividend declared in any year after the Class A and Class B common shares receive dividends equal to $0.20 per share in the case of the Series I and $0.04 per share in the case of the Series II preferred shares. Any additional dividends in the year will be paid on all of the participating preferred shares and Class A and Class B common shares with the dividends paid on the participating preferred shares Series I being ten times and the Series II being fifty times the amount per Class A and Class B common shares.

	2000	1999
Net income (loss)	**$ (106)**	$ 27,482
Preferred share dividendsNet income (loss)	**4,055**	13,652
Net income (loss) available to Class A and Class B common and participating preferred shares	**$ (4,161)**	$ 13,830
Net (loss) income per Class A and Class B common share	**$ (0.03)**	$ 0.08
Earnings per participating preferred share	**$ –**	$ –
Weighted average participating outstanding	**163,580**	163,580

10. SEGMENTED INFORMATION:

The Company considers itself to operate in a single segment being merchant banking and one geographical segment being North America.

11. FINANCIAL INSTRUMENTS:

The carrying value of marketable securities and advances approximates quoted market value at December 31, 2000 and 1999. The carrying value of the loans receivable, accounts payable and accrued liabilities, and the secured debt approximate their fair value as interest earned or incurred thereon approximates market rates and/or because of the short maturity of the instruments.

Corporate Information

DIRECTORS

Howard J. Kellough, Q.C.	*Barrister and Solicitor* Fraser Milner Casgrain, LLP
Brian D. Lawson	*Managing Partner* Trilon Financial Corporation
Frank N.C. Lochan	*Managing Partner* Trilon Financial Corporation
Brian G. Kenning	*Managing Partner and Chairman* B.C. Pacific Capital Corporation
Terrence A. Lyons	*Managing Partner and President* B.C. Pacific Capital Corporation
Bruce M. McKay	*Barrister and Solicitor* Fraser Milner Casgrain, LLP

OFFICERS

Brian G. Kenning	*Managing Partner and Chairman*
Terrence A. Lyons	*Managing Partner and President*
Bruce M. McKay	*Corporate Secretary*
Nicole Bourgouin	*Assistant Secretary*

CORPORATE INFORMATION

Auditors	*KPMG LLP, Vancouver, B.C.*
Stock Transfer Agent & Registrar	*Computershare Trust Corporation of Canada*
Legal Counsel	*Fraser Milner Casgrain, LLP, Vancouver, B.C.*
Stock Exchange	*Canadian Venture Exchange*
Ticker Symbols	*Common Shares: BPQ.A, BPQ.B*

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